Message Text

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PAGE 01 TAIPEI 00597 290256Z ACTION SS-25

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R 300243Z JAN 78 FM AMEMBASSY TAIPEI TO SECSTATE WASHDC 6260

SECRETTAIPEI 0597

EXDIS

E.O. 11652: GDS TAGS: PEPR, US, TW

SUBJECT: POSSIBLE WITHDRAWAL FROM CERTAIN JOINT US-ROC

ACTIVITIES

REF: (A) TAIPEI 0512, (B) STATE 019539

1. AS I RECOMMENDED IN REFTEL (A), I FAVOR OUR WITHDRAWING FROM JCRR WHEN THE INCUMBENT COMMISSIONER, EMBASSY ECONOMIC COUNSELOR KYLE IS TRANSFERRED LATER THIS YEAR, BUT I QUESTION THE DESIRABILITY OF GIVING NOTICE TO WITHDRAW NOW. RECOMMEND INSTEAD THAT WE NOTIFY THE GROC WHEN KYLE IS TRANSFERRED THAT HE WILL NOT BE REPLACED BY ANOTHER U.S. COMMISSIONER AND AT THE SAME TIME GIVE THE REQUIRED SIX MONTHS' NOTICE OF INTENT TO WITHDRAW. IN THIS WAY WE WOULD SEVER OUR RELATIONSHIP WITH JCRR DE JURE SIX MONTHS AFTER SEVERING DE FACTO. TO GIVE NOTICE NOW IN ORDER THAT BOTH THE DE FACTO AND DE JURE RELATIONSHIPS COULD EXPIRE AT APPROXIMATELY THE SAME TIME, I.E., WHEN THE PRESENT U.S. COMMISSIONER DEPARTS, WOULD IN MY VIEW PUT US IN AN UNNECESSARILY AWKWARD POSITION VIS-A-VIS JCRR AND THE GROC, WITH A "LAME DUCK" U.S. COMMISSIONER FOR THE NEXT SEVERAL MONTHS.

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SECRET

PAGE 02 TAIPEI 00597 290256Z

2. I DID NOT INCLUDE THE SAFED AGREEMENT AMONG THE ACTIVITIES EXAMINED IN REFTEL (A) SINCE THE EMBASSY IS NOT INVOLVED IN ADMINISTRATION OF THE AGREEMENT. THE SAFED MANAGING COMMITTEE SUBMITS REPORTS ON USE OF THE FUND DIRECTLY TO A.I.D.. AS I UNDERSTAND IT, THE AGREEMENT WAS DRAWN UP AT OUR REQUEST TO ENABLE US TO ENSURE THAT LOCAL CURRENCY FUNDS GENERATED FROM THE U.S. AID PROGRAM IN THE ROC WOULD BE USED TO REPAY CERTAIN

LOANS MADE TO THE GROC, TO FINANCE ECONOMIC AND SOCIAL DEVELOPMENT PROJECTS IN THE ROC AND TO FUND RESIDUAL A.I.D. ACTIVITIES. IF THIS UNDERSTANDING IS CORRECT, OUR WITHDRAWAL FROM THE AGREEMENT WOULD MEAN ONLY THAT WE ARE RELINQUISHING OUR RIGHT TO A POST-EXPENDITURE AUDIT AND REVIEW OF THE USE OF THE FUND. ACCORDING TO OUR RECOLLECTION, DECISION TO RENEW IN 1975 BASED ON FACT THAT SAFED WAS USED TO PAY COSTS OF REMAINING A.I.D. ACTIVITIES IN THE ROC, WHICH AT THAT TIME AMOUNTED TO US \$60,504. THAT ARGUMENT IS NO LONGER VALID SINCE A.I.D. CEASED TO OPERATE HERE IN 1977.

3. GROC WOULD BE UNHAPPY WITH OUR DECISION TO WITHDRAW FROM JCRR AND SAFED, BUT WE SEE NO PRACTICAL PROBLEMS THIS WOULD CAUSE THEM. POST NOT COMPETENT TO JUDGE WHETHER THERE MAY BE U.S. LEGAL, CONGRESSIONAL OR OTHER UNFORESEEN CONSEQUENCES INVOLVED IN SEVERING THESE RELATIONSHIPS. UNGER

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